

**Child Support Enforcement
Task Force
Sub-Committee on Program Structure**

March 23, 2006

Sub-Committee members present: Mike Schwindt, Wendy Jacobson (by telephone), Brad Davis, Jim Fleming, Darrell Vanyo (by telephone), Bernice Delorme, John Waller, Terry Traynor, Joe Belford, and Lisa Kemmet

Members absent: Keith Berger

Others present: Tove Mandigo and Barry Cox

Mike opened the meeting at about 9:00. Darrell Vanyo and Wendy Jacobson were in attendance by telephone. Mike announced that Paul Kramer from the Department of Human Services (DHS) Fiscal Administration was present to show some financial projection information and Barb Siegel was present for taking minutes.

A copy of the "First Engrossment - Engrossed Senate Bill No. 2301" was provided. Schwindt said Fleming would be reviewing that with the group. Schwindt said he thought it would be good, for today's agenda, to begin with a SB 2301 discussion, then put things in context with SB 2301. The group could then look at the Maximus report (previously mailed out). He asked if there were any comments to proceeding in this manner. Hearing none, Schwindt said that the group would then continue with that agenda.

Schwindt mentioned that Kathy Zieglemann has resigned from her position as Administrator of the Fargo regional child support enforcement office, effective May 19, 2006.

Fleming began a review of the engrossed version, 58282.0200, of SB 2301. This bill began as a move to state administration of the program. Various changes were needed to implement that move in the Century Code. The bill started in the Senate. It was amended by the Senate Human Services Committee, and passed in the Senate – still as a bill that would have changed the structure of the program to state administration. The bill then crossed over to the House, where it was amended and amendments were adopted by the Senate – in the form it is today (no longer a state administration bill).

Some of the changes to the Code in the engrossed version of SB 2301 were not substantive. There are definitions in the Code right now; many of the changes in SB 2301 are there because there was a need, for example, to combine terminology for various child support service entities into one. Change in terminology accounts for the changes on pages 1, 2, and 3.

Changes found in section 3 were done because, if state-administered, the program would no longer be a locally administered economic assistance program.

In section 4, change was made to increase reimbursement to Indian counties from 90% to 100%. Fleming noted that this change remained in the version of SB 2301 that was passed and is now in law.

In section 5, changes were made because incentive funds would no longer be distributed to the counties under state administration.

Section 6 contains more terminology changes.

Section 7 is the section that provides for the program to be state-administered. This is the first true substantive provision in the bill. Fleming noted that this section also contains broad authority language about the state agency being able to contract with any public or private agency or person to discharge the state agency's child support enforcement duties.

Section 8 is also a key provision. (See line 5 of page 8.) It would remove the child support enforcement program from the list of county-administered programs. Fleming also noted that the aforementioned language about authority to contact with any public or private agency or person is currently in the Code under the county duties.

Section 9 contained another conforming change.

Section 10 addressed the child support improvement account – this provision was retained so it is currently in the Code.

Section 11 is the most significant piece. It would have enacted three new sections to the Code. Fleming explained the section and reminded the group what happens under SWAP. There would be value placed on county office space, so the counties would get "in-kind" credit for it in the Maintenance of Effort (MOE). The language would have ensured vacating an office space would not be required. The section also contained the county funding "phase-down." The MOE would have been reduced by 20% beginning July 1, 2009; 40% beginning July 1, 2011; and 60% beginning July 1, 2013, and every year thereafter. The section also contained language regarding county-owned equipment, furnishings, and supplies. The second new section of the Code that would have been enacted had to do with the employment of special assistant attorneys general. Under state administration, IV-D attorneys would need appointment by the Attorney General rather than by the state's attorneys. The third new section of the Code that would have been enacted had to do with the transfer of employees. Offices would remain in the eight communities and all staff would get merit system protection from day one forward. Any relocation would be limited because eight regional offices would exist. Fleming noted there were a number of personnel issues that would need to be addressed in an original bill rather than by amendment.

Under section 14, the legislative intent was that the reduction in county funding under section 11 and the corresponding increase in state funding would be offset to the greatest extent feasible by increased collections or operational efficiencies such as maximizing federal incentives, optimal distribution of staff, improvements in automation, and specialization. The legislature was not committing to funding the deficit, but looked to minimizing the “hit” to the general fund by finding the additional efficiencies, etc.

Section 15 would have allowed the legislative council to do global clean-up of language as needed.

Section 16 was the appropriation needed to use the county MOE to fund the program.

Section 17 was the effective date – January 1, 2006.

Fleming said that was the run-down of that version of the bill. He said he would be glad to take questions. Schwindt said the floor was open to questions. Hearing none, Schwindt said the group would then continue by using that version of the bill as a benchmark.

Discussion then turned to the Fiscal Note that was filed during the 2005 legislative session for SB 2301, when it was still a state administration bill. A handout was provided.

In response to a question from Davis about the MOE in Section 11, Schwindt said the section was referring to the state, not the federal, MOE.

Delorme asked if anyone had ever looked at the caseload. Schwindt said the caseload has been considered and that the Maximus report did that as well. Delorme said she saw in the report some things about case weightings, economies of scale, etc., but wondered if they actually looked at the “work.” Did they do a “bottom up” analysis? Schwindt said that during that performance review (from which the report arose), if his recollection was correct, there were visits to four of the regional offices. Delorme commented that she thinks the best laid plans look at the work, and she didn’t see that in the report. Schwindt said that it was considered and looked at in the review, but maybe more in a global context than what Delorme was thinking. He also said that one needs to remember that what you find in one region may be different in another. He said he understands that the differences need to be accounted for.

Belford commented that he thinks that perhaps we need to look at baselines. Schwindt agreed, saying that may be a good plan. The plan for each regional office may be different.

In response to a question from Delorme, Schwindt said that regional administrators had assigned weights to different kinds of cases. He said there wasn’t complete consensus

on all of the weights, but there was general acceptance. He said those weightings are still available.

Waller said he would have a concern with the current weightings in that there have changes about how the Lack of Jurisdiction (LJ) cases are worked. He said it may not be bad to look at caseloads and weightings again. Schwindt said that, in relation to the LJ cases, we should remember that the tribal program will also be coming which will impact the LJ cases.

Davis said the weights would probably change if they were done again. There are regions that divvy up their budgets and incentives by weighted caseload.

In response to a comment from Fleming, Traynor said in SB 2301 as introduced, the county funding was phased out totally.

Davis said Maximus was recommending state administration as a way to achieve efficiencies for program purposes. He believes the impetus for SB 2301 was property tax relief. Traynor said there was the feeling that if the counties were not being relieved of financial responsibility, they would want to retain administrative responsibility as well. Davis said he thinks we need to ask ourselves if we are looking at this to address the financial situation or to address program deficiencies.

Fleming said he thinks, if one would ask the sponsors of SB 2301, there were reasons other than financial behind its introduction. Davis said he does not disagree that that may be true, but the bill was introduced at the request of the counties because of property tax relief.

Jacobson agreed with what Traynor and Davis were saying. Some counties feel they don't have a whole lot of control with the program, and there are increasing costs of administering it. Therefore, when the direction of the bill went toward the county continuing to have some financial responsibility for the program (i.e., not getting out of the funding 100%), the county support for the bill decreased.

Belford said the issue of having to ask the legislature for supplemental money for their region every session also precipitated the state administration bill.

Kramer reviewed the Fiscal Note filed during the 2005 legislative session on SB 2301, based on the First Engrossment version. Kramer said the first pages contain general information and it would be best to walk through the last few pages which provide the background information and contain more detail.

Davis commented that since the bill was introduced as a fix for property tax relief, this was written to accommodate that, rather than fixing program deficiencies.

Kramer walked through the last two pages of the handout relating to the Fiscal Note, which provide a section-by-section breakdown of the numbers (revenues and expenses for the state and the county). A number of the bill's sections would have had no fiscal impact (sections 1, 2, 3, 5, 6, 7, 8, 9, 12, 13, 14, 15, and 16).

Information for section 4 shows the impact of increasing the Indian County allocation from 90% to 100%.

Information for section 10 shows the impact of the improvement account funded by 5% of the incentives (replacing the training account funded by 1% of the incentives).

Information for section 11 is where it really gets into the cost of moving the program to state administration. This part shows the breakdown under a state administration structure versus the county administration structure. Kramer pointed out the differences between the two, including the loss of revenue to the counties because the state would be receiving all of the federal incentive money and timing issues because of the impact on a partial biennium. Schwindt said at the time of this Fiscal Note, we were estimating \$1 million of incentives each year. Of this, three-fourths would go to the counties, after the 5% came off of the top for the improvement account, and one-fourth to the state. The intention of the delay in effective date was to keep the county budgets whole through the calendar year. What it does, in essence, is transfer incentives back to the state. Kramer noted that at the time the Fiscal Note was completed, we had not yet lost the federal match with the incentives. Next looked at the regional office's costs. The "now" line includes county expenditures projected forward with a rate of increase to come up with expected costs. The "new" line is what would be paid in based on the MOE section mentioned earlier, and shows a projected county cost savings of a little over \$5.3 million for the 2005-2007 biennium. Next is the excess county reimbursement. Next is the loss of federal dollars. The negative \$5.58 million is basically the SWAP "hit" to the state. With the expenditures no longer being made at the county, those funds would no longer be available for federal draw-down. Next is the impact on the Devils Lake assistance. Next, looks at the county impact on the Indian County allocation. Next one shows decrease in administration payments to counties based on the Cost Allocation Plan. Next is the impact due to the foster care reimbursement to counties. Schwindt said this was the projected county share of grant recovery under the foster care program, for the biennium. In response to a question from Traynor, Schwindt said there would be a change because counties would not be participating in the cost. In response to a question from Waller, Kramer said the "reduction" showing for the Devils Lake project has to do with the separate payment that goes to the Devils Lake regional office. The costs would be picked up by the state, not the county.

Kramer said all of these numbers are then rolled together into the numbers on the first page of the Fiscal Note. The top numbers illustrate the state fiscal impact, including revenues, expenditures, and appropriations for the 2005 – 2007 biennium and the 2007 - 2009 biennium. The middle numbers illustrate the county fiscal impact.

In response to a question from Vanyo, Kramer explained that the reason for a Fiscal Note was for legislators and the legislative council to get numbers to put into their budgets, so the focus of Fiscal Notes is on the state's expenditures, rather than on local (i.e., county, city, school district) expenditures. That is why on the Fiscal Note, when it comes to county impact, there is just one net number (\$322,956) for 2005 – 2007 and it is not broken out like it is for the state impact.

In response to a question from Vanyo, Kramer said that the breakdown detail on the \$322,956 county impact is on the last page of the handout. For 2005 – 2007, it was estimated county revenues would be down \$1,975,772 and expenditures would be down \$1,652,816, for a net of \$322,956.

In response to a question from Traynor, Kramer said the numbers were not taken out further on this schedule but there was a schedule showing the MOE part of it. Members were then referred to a spreadsheet that begins "Average monthly expenditures" dated February 14, 2005. The spreadsheet includes projections through the 2013 – 2015 biennium. Kramer reviewed numbers from this spreadsheet that show the funding breakdown. There would be "excess county" funds early on. Eventually, these "county excess" funds go to zero (in the 2013 – 2015 biennium), with the state and federal governments picking up the costs. In response to a question from Traynor, Kramer said the numbers were biennial numbers, not annual numbers. Annual numbers were used so the inflation factor could be figured.

In response to a question from Belford, Kramer said it was scheduled out by each region, by month, then for each year, then totals for all regions, then looked at growth. Started at the detail by region. Belford said, then, that some counties would have bigger cost savings than others.

Schwindt said the handout shows \$5,415,762.17 for 2004 estimated expenditures, less \$896,892.00 incentive payments paid in 2004, less \$315,000.00 payments to Devils Lake region, which equals \$4,203,870.17 which is the amount reimbursement is based on (resulting in \$350,322.51 monthly reimbursement to DHS). The \$4.2 million would drop down by 60% by the end of the phase-out. He said one can see that under the 2013 - 2015 biennium information.

Traynor and Delorme left temporarily to attend to other commitments.

Schwindt provided a quick recap about where we are with the Fiscal Note. The Fiscal Note was predicated on growth of 3.2% from 2002 to 2003 at the county; 1.13% from 2003 to 2004; 3.8% from 2004 – 2005; and then basically looking at a 2% or 3% annual increase into the future. The bulk of costs at the county offices are salaries. The incentives are just a guess, as always. The value of incentives will reduce as of October 1, 2007. Start at the top with county funds of \$5.4 million. Deduct the incentives. Deduct the payment to Devils Lake. End up with county funds of \$4.2 million which, if everything else remains equal, would probably continue to grow at a 2%

or 3% inflation rate from 2004 forward. The bill would have put a cap on that, and then start decreasing it down to a \$1.6 million per year cost. Pretty much where the argument is as far as the fiscal impact - the difference between the \$1.6 million (continued cost) and the zero dollar cost (total phase-out) for the counties. In response to a question from Vanyo, Schwindt said the numbers we have reviewed were completed during the last legislative session as part of the regular Fiscal Note process. If there is another bill introduced, the Fiscal Note numbers will change.

Schwindt suggested they move on to Vanyo's "Methodology for Child Support Structure Analysis" document. Vanyo said the group may recall that at the last Task Force meeting, he had talked about certain elements. Scope of analysis – what is to be done. Studying the structure was the charge and that is basically the scope. Then, if one is going to be studying the structure, need to answer the questions he put forth on the handout.

An objective is needed – why is this being done? Develop the plan and justification for what is being proposed. He said it is his opinion that what is needed is to lay out specific goals rather than a general goal "to improve" – improve in what way? Progress has been made in the program, because of the efforts of both the state and the counties. If things are improving, what are the goals or improvements to be made by changing the structure?

Vanyo then reviewed some of the questions he thought needed to be answered, found under III.B. For example, are there any recommendations for improvements from the regional administrators which have not been approved, initiated, or completed? He suggested you can go right down the list. These things need to be outlined for the Task Force members, so they can do their task by analyzing the information. He said this is the part that has been bothersome for him from the beginning. The whole gist is to have the information, and questions to be answered specifically, so the Task Force has the information as to how this would be achieved.

Schwindt referred to the Fiscal Note information, and the 2% per year increase is reflected in state expenditures. In response to a question from Schwindt, Kramer said the 2% was based on what they were told, in Fiscal Note instructions, to use for inflation figure. Vanyo said that was well and good, but a 2% inflationary figure does not give consideration over time about things the program may require, such as technology or new staffing, etc. He said when one starts making commitments that the program will continue to improve on measures, with less money, he thinks one would want to make very sure one has looked at it in every which way possible. This is something about which the legislature may inquire, and he thinks it is a bit fuzzy. Kramer said, to clarify, that the numbers were not just based on expenditures plus the 2% inflation number. The numbers take into consideration any additions or subtractions based on projected needs. Vanyo said the issue remains the same. Showing reduced expenditures of \$3 million, yet making the statement that you will increase on the performance measures – how are you going to do that? Kramer provided information to explain this \$3 million.

The estimated deficit of \$3,013,511 shown on the schedule for the 2005-07 biennium is not a program reduction. It is the difference between the estimated obligation the state will have to pay (\$9,319,316) to take over the regional office costs compared to the estimated transfers the counties will be making to DHS (\$6,305,805). However, when the federal match is taken into account there is actually an excess of county funds (\$3,137,238) in the early years after the transfer of the program. This excess county funding can be used to offset the loss of SWAP dollars (\$5,580,618) to help minimize the overall impact on DHS' budget.

Schwindt suggested the group continue to work their way through the "methodology" document. He said the state office did some preliminary work in anticipation of the meeting and provided a handout a document also entitled "Methodology for Child Support Structure Analysis" and dated March 23, 2006, in the upper right corner. In this document, there are responses to the issues raised in Vanyo's document.

The scope of analysis is to study the major functions and activities required of the child support program, regardless of program structure. The objective is to identify any areas where a change from the current structure would enhance delivery of services, improve performance, or increase efficiency.

Regarding staffing, Schwindt said we know we are behind the eight ball on workload and have a ways to go. Under SB 2301 when it was a state administration bill, each regional office would remain in place. Also expect that the workload would be sufficient to keep all staff that is in place, busy. There are changes we can look at internally to make the program better. Case in point is the centralization of the outgoing interstate area. Talked about adding five people to the project, yet when the state office talked to the regional administrators, they said they were not going to reduce staff. But, in order to get it going, we will need to add staff. Under normal conditions, as workload shifts, staffing should be taken care of by attrition. However, there are other things that need to be accommodated – like increase in medical support activities. So, instead of not filling positions by attrition, reassign work to renewed efforts, or new efforts. In a broad context, there should be no change in the staffing in the short run. In the long run, expect staffing change if the program stayed the same. The staffing pattern would more than likely decrease, which could be taken care of through attrition, because of more efficiency through technology.

Vanyo said he understands what is being said; there would be no staffing change in the short run and, in the long run, expect decreases through attrition. However, he does not hear what the commitment is for what those numbers are in any given year. Schwindt said, at this point, he doesn't even know if there will be a change in structure, so that would be difficult. Vanyo said that if one assumes state administration, he thinks that needs to be figured out. For example: X number of people will be reduced by the year XXXX, by having this automated. He acknowledged to do so would be tough, but said that making significant changes is not meant to be easy. He doesn't see any sound basis or commitment. He said that these things are done in the business world all the

time. In the business world they put something together and make a commitment to it. Schwindt said he understands what Vanyo is talking about and said he has no problem making a commitment and gave an example when he needed to make a significant commitment (money for medical claims processing technology would be paid back in two years, and ten staff would be replaced). He said he has no problem with making a commitment but he needs to have control of it, instead of eight people driving the car. Vanyo said that since state administration is coming more from the state than the regional administrators, the state should be making the commitments. And, under state administration, DHS would have control and there wouldn't be eight others driving the car, so wondered why Schwindt couldn't make the commitment. Schwindt said he would like staff from around the state and regions to participate in how this would happen. It would delay the process, but would also get a better feel for how people think things could work better. At this point, he doesn't see anything on the part of the regional administrators that shows a commitment to help figure these things out. Schwindt said that Vanyo was asking for a plan before anything is in place. Vanyo said that when the plan is for state administration, then you are left to develop the plan knowing you have total authority. Regional administrators have been meeting and asking for things that would improve the program, and they have not been done. Asking the regional offices to put together a plan for state administration is asking them to put together a plan for something they don't believe in. Schwindt said he would like those that would be involved in the end to be involved in the plan. Vanyo said he doesn't think Schwindt can expect those that aren't for it, to do the plan. He said that he thinks what the state wants, pretty much happens anyway, and gave incentive distribution as an example. In response, Schwindt said changes were made to the draft rule based on comments made at the last Task Force meeting. Vanyo said he didn't want to insinuate that the state office never listens to anything. He said, however, that the state fought hard during the legislative session for state administration and thinks that saying state wants "buy in" is taking an easy way out. Schwindt said we need to back up – SB 2301 was not introduced by DHS, it was introduced at the request of the counties. Vanyo said the bill came out of Indian County concerns. It was a solution to a problem. But, in the grand scheme of things, he thinks there are less drastic solutions to those issues without going to state administration. Feels it was a bit like the "tail wagging the dog." Schwindt said that, regardless, it was a county bill and not a state bill. Vanyo said, while that was true, the state testified. Vanyo wants to know what the goals are, and how they will be reached.

Schwindt suggested the group continue to work through the "methodology" document.

Jacobson said that having the state do a plan without the counties is foreign to her. Vanyo said he understands and has no problem calling together the troops to make a plan. He said he asked for a plan during the legislative session. Understand time is needed to develop a plan and time should be taken. His questions remain the same since the legislative session. Schwindt said there was a plan – the Maximus plan. The bulk of it is still accurate. In there is the plan, including timeframes, projections for cost, etc. It may be only a start of a plan, but it is there; it just needs updating. Vanyo said

that measurements, ranking of the state, etc. need to be looked as to where we are today. He said that particular plan is old and outdated to the point that the changes that have gone on since that time, without state administration, may be acceptable in terms of trending upward in various goals.

Belford said he doesn't think the county commissioners have been as involved in the program as they should be. They need to give more input. Perhaps commissioners and social service boards need to put together a group and do a plan.

Fleming referred to a handout entitled "Summary of Federal Report Data for North Dakota." There are three bar charts. The top one relates to the federal performance measures and North Dakota's annual performance since 2001. There have been incremental improvements in the IV-D PEP. When looking at the obligation rate, the percent of current support paid, and the percent of cases paying on arrears, Fleming said he thinks the trend is pretty flat. He said that when he came to the program four years ago, DHS was saying back then that there needs to be centralization and specialization of areas, and we still don't have any implemented. We need to look at how responsive our program can be. The increases in the program's annual performance is nothing to brag about and we are four years out from when centralization and specialization projects should have begun. We have two pending, and two more that have a long ways to go before they could be implemented.

Waller wondered what evidence there was that this needs to happen. May be fairly flat performance, but it is relatively high to begin with. He doesn't see how changing the structure of the program will lead to improvement. Fleming said we will be able to see how that would be able to happen as we go through the methodology.

Waller suggested looking at the paying on arrears measure. There have been changes and there will be more uniformity with an asset seizure unit. We haven't tried that yet. He said he tends to agree with Vanyo that there are things short of state administration. Why not allow more time to allow these tools to work before making the structure change? Fleming replied that everyone likes to back a winner. The state has been saying for four years that areas should be centralized or specialized. These have been great ideas for four years. Davis said these (the two centralization projects) are pilot projects at best. There is no guarantee that they are going to work; there is no conclusive evidence that they are going to work. Fleming said his point is that four years ago it was easy to step back and say that caseworkers can't be experts in this many areas, and therefore a need to centralize or specialize. The problem is it took four years to get the needed consensus. Davis said that four years ago, the administrators agreed to come up with ideas for possible centralization and specialization, but it was with the idea that they needed management reports. Fleming said that this wasn't about management reports. Davis said that was the consensus in the Strategic Plan and it is also in the Maximus report. Fleming said management reports were not a major point in the Maximus report.

Davis asked what it was we are trying to fix. Either we are doing something because of financial concerns like property tax relief, or we are looking instead at increasing efficiencies or making the program better. He is not opposing the concept, but agrees with Vanyo. Davis said he works for the county and, first, needs to look out for the best interest of the county. Second, he needs to look out for the integrity of the program, and third, he needs to look out for his staff. He said he is convincible. He just wants someone to show him. North Dakota has one of the best programs in the country. He doesn't want it to go backward. He doesn't want to see us go to state administration and have to make budget fights, and find that we can't afford to provide the level of service.

Schwindt said that some of these things are really legislative issues.

Mike referred to an Excel spreadsheet handout (top line: "Cases With Orders").

Regarding asset seizure, Schwindt said his concern surfaced early when he watched what North Dakota was doing in this area compared to other states. For example, we were in the \$50,000 collection range, while Wyoming was at \$1.5 million. Other states were doing well in excess of us, and they were working under basically the same laws. There is a lot of potential out there in this area. In response to a question from Waller, Schwindt said it has been four years since the tool has been out there and it wasn't being used. Waller said he thinks there will be increases, short of state administration. He wondered where we are at now with the seizures. Schwindt said we went from \$50,000 to \$100,000 in two years. Waller commented that we are now working toward improving this. Schwindt said this was basically the same issue as peer reviews. We talked about those and how many have happened? Next to none. Schwindt said it takes entirely too long to get there.

Schwindt suggested the group look at the spreadsheet. This will illustrate the points.

"Total Caseload Excluding LJ" are numbers taken right out of the federal reporting form, OCSE 157, for 1999 – 2005; these are actual numbers. Then, a flat number (35,862) is used to run forward from 2005 to 2009. Regarding "Cases With Orders," one can see where the percent is for North Dakota. After 2005, a half of a percent was added for the projected percents through 2009; this would not be far off from what history has been showing. Then, there are total collections, under the IV-D program for the years 1999 – 2005. Underneath, are the collections per case, and then collections per ordered case. The subsequent lines show where the top performing state was in the country, followed by the top three performing states, the top five performing states, and then the national average. If you look at where we were in 1999 versus the top five performing states (which is the target DHS Executive Office has given), we were about 11% or 12% below where the top five performing states percentage is. If you look at what has happened in the intervening years (between 1999 and 2004) we went from 75.4% to 86.6%; the top performing state went from 88.4% to 93.7%; the top three went from 86.9% to 91.2%;

the top five went from 86.4% to 90%; and the national average went from 59.8% to 74.4%.

Schwindt said that back in 2003, he asked the regional administrators whose offices were in the bottom half to put together a plan to get to the top half. That didn't work well, so he then later asked them to put together a plan to improve their performance by 2% per year for each of the performance measures, excluding PEP (because we were doing okay in that area). Schwindt said when one looks at the growth pattern, taking 2002 at 84.8% (which is our actual performance number) and add a 2% growth factor to that, that would mean 2003 would be 86.8% but our actual was 85.7%. Add another 2% for 2004, would be 88.8% and our actual was 86.6%. Add another 2% for 2005 would be 90.8% and our actual was 86.7%. We still haven't caught up to the top five. So when you start taking the collections per caseload, and the differences of what could have happened had we met those targets, you can see that in 2003 we lost three-quarters of a million dollars; in 2004, we lost \$1.6 million; in 2005 we lost \$3.2 million; and go on from there. This is money we could collect if the orders had been in place. There are spin-off factors here because our current support collections would be up, we would have more incentives, and we would have cost avoidance in the TANF, Medicaid, and Foster Care programs as well as increased recoveries in those programs (some of which would come back to the counties). When you start rolling these numbers out, this is where the impact of these collections are. Is 2% an outrageous amount to increase? Schwindt doesn't think so. It's also consistent with the county improvement targets in Ohio.

Kemmett said she doesn't think the 2% is unreasonable, but said the regions need help from the state to identify inefficiencies. She said PEP is a good example; it was dug into at the state and found that there was a FACES coding error, and look how the number excelled after that was discovered. It is difficult for the regions to pull cases to identify issues. Even if they could, who would have the time?

Davis said the areas in which they have excelled the most are those in which the regions have management reports. The regions have the information on a monthly basis, which allows them to monitor. He feels the regions can improve in other areas if the regions would receive the information they need. In response to a comment from Davis that Locate is key, Schwindt said that he agreed and that is why they were trying to get something going in the Locate area (specialization/centralization), but it hasn't happened yet. Kemmett said that they need FACES support and FACES to be fixed in order to do better. She said the regions are getting complete junk. She said when you get junk after junk, you stop looking. The workers have had to set up work-arounds. Locate needs to be revamped; that is where you are going to be able to improve. She said she didn't know how the state will fix FACES or where the state will get the money to fix FACES, but she doesn't think state administration would make a difference. She said the regions have been begging for enhancements since 1999, and they have not seen any, or very few.

Belford asked about the suggestion of standardization of organization within the regions. Brad said that the same things can be done within each region, regardless of how they are structured. He said he is in favor of making things more consistent and feels they are far more consistent than they were ten years ago. Waller said he agrees there is that trend, and in addition, there are things already addressed in SB 2301. There is the improvement fund, the centralization projects, and the ability of the state to withhold funds. He referred to a Minnesota report and said, in that report, they specifically identified levels of inconsistency. What they have suggested is what we have already implemented which is that there should be an opportunity to withhold funds from counties not providing a certain level of service. He thinks these things can be accomplished short of state administration. He feels that the program is progressing, granted slowly, and that there is momentum. He is concerned that if there is a move toward state administration, which some may be reluctant about, it may tend to stop the momentum of the effort.

Schwindt suggested the group get back to the "methodology" document. Already talked staffing (III.A.1.). The growth (III.A.2.) would be 2% overall growth per year, except for PEP which is already reasonable and the cost effectiveness measure which is not driven by a percentage. His earlier request, regarding the cost effectiveness measure, had been for a 50 cent per year increase.

Schwindt referred to an earlier handout (which began "Cases With Orders"). On the second page is information relating to the cost effectiveness measure. He said he doesn't want to spend a lot of time on this now, because there will need to be a lot of work outside of this meeting. There is again data from 1999 – 2005 that we know is our data. For 2004, the top in the country was \$8.70; the top three in the country was \$8.18; the top five in the country was \$7.81; and the national average was \$4.38. For 2005, our number is \$6.03. Numbers for 2005 are preliminary, and for some states the data may not be good. The numbers, therefore, are not gospel, but represent the best indicators available. The national average in 1999 was \$4.11. It has been inching itself gradually upward to \$4.38 for 2004 and to \$4.89 in 2005 (which would be more than a 50 cent increase from 2004 to 2005). Schwindt said the targeted growth for this measure was 50 cents. So if we go back and run the numbers as such (bottom half of the page), the numbers get pretty impressive. For example, in 2003, target would be \$5.21 with an actual of \$5.10; a difference of 11 cents on \$11 million of expenditures which would mean we would be able to collect another \$1.3 million at no additional cost. Taking this on across, increased collections get to over \$2 million per year. Again looking at the top five performing states, which is the target from the Executive Office, it is projected to be at \$7.57 for 2007 and ours is projected to be at \$6.53 with a difference of \$1.04. The bottom part is the difference between what we have at \$4.42 (1999) and the top in the country was \$7.81 (1999), for a difference of \$3.39. This is then done for the top three and the top five, and for subsequent years. This shows the spread of where we are versus where other states are. So, when we are talking goals, these are examples of the goals he has asked for, and how the goals would be quantified.

Regarding state costs (III.A.3.), per SB 2301 (prior to amendment and the Governor's budget instructions), state general fund costs net of incentives would remain unchanged, subject to across-the-board salary increases. Schwindt added that the 2007 budget instructions are for 100% of general funds.

Regarding county costs (III.A.4.), looking back at SB 2301 again, they would be net of the Devils Lake project funding, frozen at CY 2006 levels, with a phase-down beginning July 1, 2011. Fleming said the numbers here assume that SB 2301 would be on the table with a 2004 MOE; the 2006 MOE may be different.

Regarding total costs (III.A.5.), again using the same benchmark, general fund costs would remain unchanged. Creative management could result in growth without impact to state or local government. Schwindt said that when he looks at "total costs," he doesn't look at it as being a cap on there, rather, primarily managing the non-federal funding sources to the greatest extent possible to benefit the citizens of North Dakota.

Regarding funding sources (III.A.6.), looking at it being stable through 2011, with any reduction in federal funding or increase in program expenses being borne by the state through the receipt of increased incentive dollars for improved performance increases in retained collections, or additional general funds. Schwindt noted that a part of the changing environment since the Fiscal Note was prepared was, effective October 1, 2006, we must charge a fee for services.

Schwindt then moved on to Part B ("Questions to answer regarding the plan) of the "methodology" document.

Regarding projected goals for each of the five measurements under a new structure (III.B.1.), these include a 2% overall growth per year (except for PEP), and 50 cent per year increase for the cost effectiveness measure.

Regarding results for the past five years (III.B.2.), Schwindt referred to the handout containing bar charts ("Summary of Federal Report Data for North Dakota").

Regarding new approaches or actions under a new structure (III.B.3.), there are two centralized functions underway with two pending. Also listed are overall improvements in communication and organization through a unified organizational structure. Other improvements or actions would need to be identified through a review of program activities and measurements (and there are references to other parts of the document). Vanyo said this is where he has comments and questions. What is being asked for in this section are new approaches or actions under a new structure. What is listed – the two projects with the potential with two more – are not waiting for state administration. Those are moving forward without state administration. Therefore, he does not think those can be claimed as state administration issues. He said, then, what he is really looking for are specifics in terms of how achievements of the goals laid out in number one are going to be addressed under state administration any differently than under the current structure. Regarding laying claim to overall improvements through

communication, he's not so sure why that changes from one structure to the next if the same players are involved. What changes would there be that makes communication better under one structure than the other? He also noted that, for example, a new approach may be attention to management reporting, new technology, etc. Looking for bullet points of things that will be done toward the goal. What he sees instead are things that are currently underway. This needs a little bit more work. He said he appreciates what was done under the previous sections (e.g., goals, etc.); that is basically what he was looking for. It shows that thought was given to at least what the state thinks is a proper goal. Now may be a good time to get input on that from others. He appreciates that there are numbers out there now. He said he feels that III.B.3. needs to be addressed now more succinctly. How does the state see getting to the 2% improvement with a new structure, that couldn't be done under the current structure?

Schwindt asked what, regarding Vanyo's comment about the same players being involved in the lines of communication, Vanyo sees as the role of county commissioners if the program would become state-administered. Vanyo said his purpose with this is not about if he has a voice in everything that happens with the program. It is more that he understands the reasons for state administration. He is concerned about what the state taxpayer pays and about what the goals are. Schwindt asked, if state administration comes into play, what would Vanyo see as the role of county commissioners in the program in three years? Vanyo said it would probably be informational. Monitor, for their own purposes, what has happened with the program. For example, were goals reached? Schwindt said what he had in mind when drafting the "lines of communication" item, was that, under state administration, there would be fewer people involved with the decision-making. He said he understands, of course, there would be accountability to others. The line of communication would be the DHS Executive Director to the Child Support Enforcement Director. There would be no need to involve County Social Service Board Directors, although he said he knows there is a lot of interaction and education that has to happen. Also, there would be a role to get the right information to county commissioners.

Traynor said that focusing on this brings up the issue when we are talking about structure. Our ultimate goal is to be more efficient and have better outcomes. We are talking about changing components of structure to make that happen. SB 2301 has already changed the basic structure of the program by increasing the authority of the state, at least to a certain degree. We have already seen movement on the centralization projects, largely because of that. The structure has changed incrementally already. From what he is hearing from the state, it sounds like what is needed for more improvements is better communication, more direct authority, more rapid response, and more accountability. If that is what we are talking about, does that necessarily mean state administration? Schwindt said that it doesn't necessarily mean state administration. State/county structures can work and he gave Pennsylvania as an example. He said it is one way to take some of the underbrush out of how we do business.

Fleming said that it is true that there are two areas that will be centralized, and there are two more out there (Locate and employer relations). There has been no clear consensus on Locate and employer relations – two areas identified in the Maximus report. What is looming on the horizon, if the state decides there should be centralization in areas in which there is no consensus and the state directs it to happen – what is going to happen? There will be resistance and there will be calls to the Governor's office and to Carol Olson; people thinking there should be consensus. Waller said it seems that ensuring there is consensus is a safety check. Maybe there is good reason for the resistance. Kemmett said it, for example, may not be in the best interest of the program. Fleming said Waller is correct that these things should be done through a collaborative process. However, in the end, if the state says from its broader perspective that it needs to be done, what will be the reaction? Will the regions be there to carry it out, or will there be dragging of heels? Waller asked who be left holding the bag? Schwindt said that the state has the authority and the responsibility. Waller said that if no region wanted a centralized Locate unit, where would it go - some region will end up with that function. Fleming responded that that wasn't necessarily true. It could be a part of DHS. Waller asked if this process would increase communication between the state and the regions? Fleming responded that increasing communication was a different part of looking at the structure. Waller said that we are basically saying that efficiencies can be found by increasing cooperation between the regions and the state, and he finds it hard to believe that the state going ahead with a project that the regions don't want to do, is going to further cooperation.

Schwindt asked, as an example, how long it has been talked about getting IV-D attorneys licensed in tribal court; when that actually happened; and why it took so long. Waller said it has probably been talked about since he has been with the program. Waller said it happened in 2005. Waller said there were a number of reasons it took so long, like licensing fees and not knowing if there will be cooperative agreements with the tribes. He said that what has happened has happened because of the efforts by the regional offices. He said they are flying blind out there. He said they are not getting direction from the state office. It has taken the IV-D attorneys contacting the state to say this is what they are going forward with. He said this has had a repercussion to their office because now there is a large pool of cases that were irrelevant or less relevant, that are now extra duties imposed on the office to do more work with less. They were told the state wanted them to work the cases, but didn't know if it would impact negatively on the performance measures and if it did, the region would lose money. Schwindt said that Waller was mixing two issues. One issue has to do with funding for the tribal project. That is not the issue that underlies getting attorneys licensed in tribal court. Regarding the LJ cases, those have always been part of the region's caseload. Those cases were always the region's responsibility; they are not a new duty. Waller said that the Maximus report said that the state office would work to get agreements with the tribes in place. He said that hasn't happened. He said he thinks it is unfair to say that the only time there is cooperation is when the regions are under the gun. He is concerned about the possible negative affect on performance. The Minnesota report said you need to take into consideration the population served.

All of a sudden, the region is taking on a whole new class of cases. Fleming said he doesn't know where Waller has heard that the only way to get cooperation from the regions is to put a gun to their head. He said he thinks that what he and Waller have done have resulted in good advances. However, there are times when something is a good idea, and the response from the regions is that they will think about it and get back to the state. There is also the issue of the regions saying that it is an "unfunded mandate." Waller said that unfunded mandates are a problem; county commissioners have concerns. Fleming said if any new, innovated task is responded to by the cry of "unfunded mandate" and it doesn't happen, then we are saying that until and unless state administration happens, no new doors will be opened. That is the problem in some places. Waller said doors are opening now. Fleming said they are opening slowly and, in some places, not at all.

Schwindt distributed a copy of an email dated December 23, 2004, in which he had asked the regional administrators for a plan to improve performance by 2%. In there, he asked them to be specific, and, if they did not think a 2% increase in a particular area was realistic, to identify the measure and what they felt was a more realistic improvement. He did not require a plan that addressed a flat 2% increase; it allowed for the customization of a plan.

Mandigo said it was important to remember that SB 2301 passed, and DHS will be held accountable. The legislature wants us to identify efficiencies. We all need to be working toward the goal of finding the efficiencies. If we are looking at something from 2004 to which there has been no response, what should DHS do? Waller said he suggests we stay on the track that we are already on. There are things in SB 2301 that puts accountability on the regions, state has ability to withhold funds from the regions, set benchmarks, go forward with centralizing certain functions, and see how it goes. The legislature did have an opportunity to pass state administration but they did not. So, one can look back at the record and say that while the legislature may have felt there were efficiencies to be made, they were not convinced that the efficiencies could be met by state administration. Mandigo said DHS will be held to this, as it is law. She said that Vanyo makes a good point that we need to have goals, objectives, and benchmarks. And that responsibility is on DHS. We have to come up with a plan, and we can't take two years to do it. Belford commented that the group is assembled to see how to make SB 2301 work.

Davis said we need to determine if any change to the structure would be beneficial. We've had the structure for 30 years and have one of the best programs in the country. It would appear that the regions are always arguing against state administration, but feels they would be receptive to the idea if someone showed them why it would be better. He said we are here because sometimes there are differences between the priorities of the county and the priorities of the state. He feels the current structure has worked pretty well, and that some pitfalls have been avoided that wouldn't have been without the state/county collaboration. He acknowledged that occasionally there is a difference in opinion between the state and the county, although he feels usually there

is agreement. Regional administrators see some things that seem obvious to them, that would result in immediate improvement. For example, he said they have been asking for management reports for years. Then interest charging came, and a lot of time and money had to be spend on that. He said he understand that Schwindt runs the show, so that is the way it is. However, the regions are not the ones pushing for the change. It is obvious that there is frustration on the state's part for what they view as a reluctance by the regions to carry something out. A law is pursued and passed. The state issues policy based on the law. The regional office does the procedures. In the vast majority of situations, there is agreement. But when something is handed down, and 100 caseworkers are saying "wait a minute," maybe we need to rethink this. He does not feel this is a bad process. Believes it usually means the outcome is better than it would have been otherwise.

Mandigo said that is why we have a Task Force. We need to move ahead; DHS will be accountable. What can we do to best get there? Goals should be set and we aim for those. We do need goals and objectives. She mentioned the Performance and Accountability Committee.

Waller said there could at least be a conclusion that state administration is not the answer, so the Task Force can move on with other ideas. Mandigo said that, ultimately, that is a legislative call. Waller said it could be a Task Force finding. Schwindt said if Berger were here, he knows he would say that if there is not a recommendation for state administration, then the memorandum of understanding needs to be redone so it is clear who does what.

Vanyo asked for the group to look toward the bottom of his "methodology" handout. What he envisioned was not just answering the questions (part III), but then these get presented to the full Task Force (part IV). He then read from the Task Force statutory language. He said the Task Force has to have consensus on something. If anything, he said he is trying to help the state build their case. He thinks the Task Force wants a bullet-by-bullet listing of why under state administration we can achieve a 2% increase and meet our goals. Also, we haven't talked about how the expenses would be reduced by \$3 million over time. If this is not done, there will be a lot of confusion, and little or no consensus for state administration. People would be doubtful without substance. Belford commented that is why the group has to look at both sides of the equation on this. How can we make it better? Vanyo said that he thinks III.B.3. needs more attention.

In response to a question from Delorme, Schwindt said he didn't not receive any substantive responses from his December 2004 request to regional administrators for plans to improve performance. He said one sent in a response with 31 items; 29 of those were things for the state office to do. Delorme said that the request really was open and could have at least two sides. Regarding the legislature thinking there are efficiencies, she said she wouldn't put a whole lot of stock in that in that they do not do the work. How much those efficiencies are, we don't really know. We can't find out by

comparing ourselves to other states, because we are different and have unique characteristics. We need to be able to identify efficiencies. We may need to start by looking at best practices within the regions. Some regions are doing better than others on some things, and not as good on others. Schwindt said he couldn't agree more. Delorme said there also appears to be a need for the state to provide the regional administrators with technical assistance.

Vanyo said that was what part III.B.4. was attempting to get at. It would be appropriate for the Task Force to know what recommendations have been made by the regions in the past, which ones have been implemented, and which have not been implemented. And, can any of those items be done better under state administration versus the current structure? Vanyo said that perhaps Davis and Schwindt, or whomever, needs to pull this list for the Task Force. Basically, why can't it happen under one structure versus the other? Schwindt said he now understood the questions in part III better.

Vanyo said he would give his thoughts on III.B.5 – 9.

Vanyo said his question for question for III.B.5 was this. Went through a budget, what the money would be over various budgets, and expenditures went down \$3 million. Since salaries are the primary category of the budget, it would seem to indicate there would be a loss of staff. Should be able to look at each biennium, and say would have to reduce by X amount. Those types of reductions in staff should coincide with the budgets reviewed earlier in this meeting. Look for numbers like this - not just goal statements.

Vanyo said III.B.6. relates to number 5; staffing goes hand-in-hand with the budget.

Vanyo said he felt numbers 7, 8, and 9 don't need anything further. He looks for more substance for 1, 3, 4, 5, and 6, in terms of preparing a presentation to the Task Force.

In response to a question from Vanyo, Fleming said that the comment for the need for more in 1, 3, 4, 5, and 6 leads right into why there is, in the state's handout on "methodology," sections C, D, and E, under part III. Section C contains the major program functions – what the program does. Section D contains the program performance measurements – how we measure what we do. Section E contains the assessment of methods – how we assess. He used cases in establishment mode as an example of what would be looked at under sections C, D, and E. He said that in order to answer the questions in Vanyo's methodology, we have to be having the conversations under C, D, and E.

Belford wondered where the group goes from here? How does the group sort through this? Need to pull things the regional concept and the state concept and put it on paper so we have a debate on which way to go on it.

Schwindt said he doesn't have a problem with putting together a plan, but would like input from others with a vested interest – county commissions, county social service boards, and regional offices. He said he can do a plan, but with the understanding that it is a start of a process, not the end of the process. He would like to review the agreement that currently exists, to look at it from more of a business standpoint. He said he cannot tell a county "this is the way it is going to be." The county has a vested interest - win/win for everyone. Belford said that his commission does a monthly profit/loss statement. All the scenarios are laid out. It is operated like a business and is very successful. Traynor said this opens up an issue. If looking at it as a business, it may be that there would be "takers" in some counties (e.g., Cass) and not in others (e.g., Devils Lake area). Schwindt said that is where management and creativity comes in. Traynor said we are expecting an area with very little tax base to have the same responsibilities. Belford said that the plan has to take that into consideration. Counties are not economically equals.

Delorme, referring primarily to the information in section C, said this appeared to be a good roadmap and wondered if the information had gone out to the regions. Schwindt said it would not be a problem to send the information out. Fleming added that the regions would likely be able to come up with that list on their own as well. Also he said we may want to start with performance measures. Where are we at versus where we want to be. With the two lists together, look to see where improvement is possible.

In response to a question from Delorme, Schwindt said we look to what other states are doing all of the time. He gave the Electronic Notification Service (ENS) as an example.

In response to a question from Delorme, Davis said coming up for ideas for the program has never been a problem. He said that the program did not do strategic planning this year, but usually there are far more ideas than people to carry them out. Ideas are prioritized, and people are picked to be responsible. It usually ends up that the state office is responsible, and that is a limited resource. Fleming said it needs to be something different than what FACESSES can do, or what the state office can do. Assuming that resources are maxed out, and we will not be getting to those items, what are some non-FACESSES things that can be done? Davis said there have been new things that have been put on top of the list over things that have been pending for a long time from the regional offices. So there is not time to work on those from the regional offices because of all of the other things. Fleming said the statewide priorities are not always the same as the regional offices' priorities. Need to identify what can be done on the worker level. Davis said that doesn't change the fact that there is a bottle neck.

Belford said that what DHS has is a mandate and we need to forget the past.

In response to a comment from Davis, Schwindt said options are open and mentioned the information on privatization that was distributed at the last Task Force meeting. He said there would be nothing wrong with doing that in certain areas. He also reminded the group that all of the entities had the authority to contract out.

Belford thought perhaps the state should come up with a plan and the regions should come up with a plan. Then see about melding the two together. Delorme wondered if there was time to go through the program functions (section C).

The next full Task Force meeting is scheduled for May 11. Schwindt said that by mid-April, he and Traynor would put together a plan. He said the point that Delorme made is well-taken; the document will be a "living" document. It will change as the environment changes. Schwindt reminded the group about the article he had previously sent out regarding the 20 changes with the recently passed federal Deficit Reduction Act, along with the seven or eight items from the President Bush budget cycle. Mandigo said that, when putting the plan together, it should be indicated why it would or wouldn't work with or without state administration, so we don't have to go through that argument again about why it would only be with state administration.

Davis wondered if we really wanted to go back to the full Task Force without a decision from this subcommittee. Schwindt said we may have to have another meeting of this subcommittee before the next full Task force meeting.

In response to a question from Delorme, Schwindt said we do use credit bureaus for a locate tool.